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E.O. 12958: N/A  
TAGS: [EFIN](#) [ETTC](#) [KNNP](#) [PREL](#) [PARM](#) [KS](#)  
SUBJECT: E.O. 13382 DESIGNATION OF KWANGSON BANKING  
CORPORATION

11. (U) This is an action request. Please see paragraph 3.

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SUMMARY/BACKGROUND  
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12. (U) On August 11, 2009, the U.S. Department of the Treasury announced the designation of the North Korean entity Korea Kwangson Banking Corporation under Executive Order (E.O.) 13382. In the spirit of our cooperation on nonproliferation, Washington requests that Posts notify host governments about this designation and deliver the attached nonpaper. Treasury Undersecretary for Terrorism and Financial Intelligence Stuart Levey and UNSCR 1874 Coordinator Ambassador Philip Goldberg pre-notified representatives in Washington from the embassies of China, Japan, and South Korea on August 11, 2009. Ambassador Goldberg also pre-notified representatives in Washington from the Russian embassy on August 11.

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OBJECTIVES/ACTION REQUEST  
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13. (U) Washington requests that Posts deliver the attached nonpaper and draw on the following objectives to notify host governments regarding the E.O. 13382 designation of Korea Kwangson Banking Corporation. Posts may also draw on the press release for the designation, which can be found at [www.treasury.gov/press/releases/tg260.htm](http://www.treasury.gov/press/releases/tg260.htm).

-- Note that this designation is consistent with UN obligations to freeze the funds of, and deny financial resources to, UN-designated entities, and the call in UNSCR 1874 to deny financial services that could contribute to North Korea's WMD programs.

-- Urge host government officials to investigate whether Kwangson has a presence in their jurisdiction and, if so, urge that they immediately freeze Kwangson's assets, as well as any funds, other financial assets, or economic resources that are owned or controlled, directly or indirectly, by Kwangson. This is consistent with the call in UNSCR 1874 operative paragraph 18 to deny financial services that could contribute to North Korea's WMD programs.

-- Recommend host government officials also take steps to prevent their nationals or persons or entities within their territories from engaging in transactions with Kwangson, consistent with UNSCR 1718 and UNSCR 1874.

-- To further prevent transactions with Kwangson, recommend that host government officials urge financial institutions in their jurisdiction to close correspondent relationships with Kwangson.

-- Highlight that the designation of Korea Kwangson Banking Corporation builds upon the designations under E.O. 13382 of other entities designated for an asset freeze by the UN, and identifies Kwangson Banking Corporation as a proliferation-related bank to the international financial community.

-- Convey that we are working to designate the remaining entities and individuals that have been designated by the 1718 Sanctions Committee and continue to consider additional entities and individuals for designation under E.O. 13382.

IF ASKED POINT:

If asked why the United States is unilaterally designating an entity not listed by the 1718 Sanctions Committee:

-- The United States believes that, given Kwangson's relationship with UNSCR 1718 Committee-designated entities, the designation of Kwangson Bank is consistent with UNSCR 1718's requirement that Member States freeze the funds of entities designated by the Sanctions Committee and deny financial resources to those UN-designated entities.

-- This action is also consistent with UNSCR 1874's call to prevent the transfer of funds that could be contribute to North Korea's nuclear-related, weapons of mass destruction-related, or ballistic missile-related programmes.

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NONPAPER  
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14. (U) On August 11, 2009, the U.S. Department of the Treasury announced the designation under Executive Order (E.O.) 13382 of the North Korean entity the Korea Kwangson Banking Corporation. Kwangson is being designated for providing financial services in support of Tanchon Commercial Bank (Tanchon) and a subordinate of the Korea Ryonbong General Corporation (Ryonbong), both of which have been designated by the UNSCR 1718 Committee for their involvement in North Korean WMD proliferation activities.

-- Since 2008, Tanchon has been utilizing Kwangson to facilitate funds transfers likely amounting to millions of dollars, including transfers involving Korea Mining Development Trading Corporation (KOMID)-related funds from Burma to China in 2009. KOMID has also been designated by the UNSCR 1718 Committee.

-- Korea Hyoksin Trading Corporation, a Ryonbong subsidiary designated by the Treasury Department under E.O. 13328 on July 30, 2009, sought to use KKBC in connection with a purchase of dual-use equipment in 2008. Hyoksin was designated by the UN's 1718 Sanctions Committee in July 2009.

-- The designation of Kwangson is consistent with UNSCR 1718 obligations to freeze the funds of, and deny financial resources to, UN-designated entities, and is consistent with the call in UNSCR 1874 to deny financial services that could contribute to North Korea's WMD programs.

-- On April 24, the UN Security Council Resolution (UNSCR) 1718 Sanctions Committee designated Tanchon, Ryonbong, and the Korea Mining Development Trading Corporation (KOMID) to be subject to the asset freeze provisions in paragraph 8 (d) of UNSCR 1718.

-- Specifically, UNSCR 1718, paragraph 8 (d), decides that Member States "shall, in accordance with their respective legal processes, freeze immediately the funds, other financial assets and economic resources which are on their territories at the date of the adoption of this resolution or at any time thereafter, that are owned or controlled, directly or indirectly, by the persons or entities designated by the Committee or by the Security Council as being engaged in or providing support for, including through other illicit means, DPRK's nuclear-related, other weapons of mass

destruction-related and ballistic missile related programmes, or by persons or entities acting on their behalf or at their direction, and ensure that any funds, financial assets or economic resources are prevented from being made available by their nationals or by any persons or entities within their territories, to or for the benefit of such persons or entities."

-- UNSCR 1874 paragraph 18 also "calls upon Member States... to prevent the provision of financial services or the transfer to, through, or from their territory, or to or by their nationals or entities organized under their laws (including branches abroad), or persons or financial institutions in their territory, of any financial or other assets or resources that could contribute to the DPRK's nuclear-related, ballistic missile-related, or other weapons of mass destruction-related programs or activities, including by freezing any financial or other assets or resources on their territories or that hereafter come within their territories, or that are subject to their jurisdiction or that hereafter become subject to their jurisdiction, that are associated with such programs or activities and applying enhanced monitoring to prevent all such transactions in accordance with their national authorities and legislation;"

-- We urge you to investigate whether Kwangson has a presence in your jurisdiction and, if so, urge that you immediately freeze Kwangson's assets, as well as any funds, other financial assets or economic resources that are owned or controlled, directly or indirectly, by Kwangson. This is consistent with UNSCR 1718 obligations to freeze the funds of, and deny financial services to, UN-designated entities, and UNSCR 1874's call in operative paragraph 18 to prevent the provision of financial services that could contribute to North Korea's WMD programs.

-- We recommend you also take steps to prevent persons or entities within your territory from engaging in transactions with Kwangson, consistent with UNSCR 1718 and UNSCR 1874.

-- To further prevent transactions with Kwangson, we also recommend that you urge financial institutions in your jurisdiction to close correspondent relationships with Kwangson.

-- The United States has designated three of the five North Korean entities designated by the 1718 Committee on July 16, 2009. The United States designated Namchongang Trading Corporation and Hong Kong Electronics on June 30, 2009, and designated Hyoksin Trading Corporation on July 30, 2009. We are working to designate the remaining entities and also the five designated individuals.

POINTS FOR JAPAN ONLY:

-- We appreciate the Government of Japan's actions on July 24, 2009, to freeze the assets and limit the travel of the additional entities and individuals designated by the 1718 Sanctions Committee on July 16, 2009.

POINT FOR SOUTH KOREA ONLY:

-- We appreciate the Government of South Korea's actions on July 27, 2009, to limit foreign currency transactions and payments between South Korean citizens and the additional entities and individuals designated by the 1718 Sanctions Committee on July 16, 2009.

REPORTING DEADLINE

15. (U) Post should deliver any responses within seven business days of receipt of this cable. Please slug any replies or further information for ISN, T, EAP, and TREASURY. Please use the caption SIPDIS in all replies.

POINT OF CONTACT

¶6. (U) Washington point of contact for follow-up information is Jennifer Chalmers, ISN/CPI, (202) 647-9715.

¶7. (U) Department thanks Posts for their assistance.  
CLINTON